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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**AN 3/5/03

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2002 ENDING December 31, 2002

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER

Investprivate, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

500 Fifth Avenue, 54th Floor

(No. and Street)

New York

NY

10110

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

212-739-7700

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lilling & Company LLP

(Name - if individual, state last, first, middle name)

10 Cutter Mill Road

Great Neck

NY

11021

(Address)

(City)

(State)

(Zip Code)

CHECK ONE

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

FOR OFFICIAL USE ONLY

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FINANCIAL

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the exemption. See section 240.17a-5(e)(2).

Sec 1410 (3-91)

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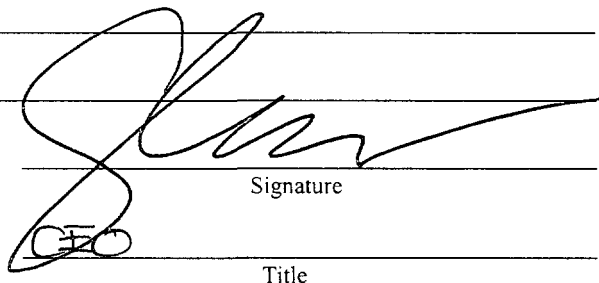
OATH OR AFFIRMATION

I, SCOTT L. MATHIS swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Investprivate, Inc., as of

December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

SAMER KASSIM
Notary Public, State of New York
No. 01648080712
Qualified in New York County
Commission Expires Sept. 23, 2006


Signature
CEO
Title


Notary Public

This Report ** contains (check all applicable boxes):

- ☒ (a) Facing Page
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss)
- ☒ (d) Statement of Changes in Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and an audited Statements of Financial Condition with respect to methods of Consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) A report on internal control.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

INVESTPRIVATE, INC.

*REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

REPORT ON INTERNAL CONTROL

DECEMBER 31, 2002

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Investprivate, Inc.
New York, New York

We have audited the accompanying statement of financial condition of Investprivate, Inc. as of December 31, 2002 and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Investprivate, Inc. at December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

February 4, 2003

INVESTPRIVATE, INC.

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002

ASSETS

Cash	\$ 203,345
Due from clearing broker	220,539
Advances and loans to employees	328,158
Securities owned	35,757
Furniture and equipment, net	235,931
Intangible assets, net	272,445
Other assets	208,513
	<hr/>
	\$ 1,504,688
	<hr/>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable and accrued expenses	\$ 212,300
	<hr/>

Stockholders' equity

Common stock, \$.01 par value; 1000 shares authorized; 100 shares issued and outstanding	1
Paid in capital	2,996,065
Retained earnings (deficit)	(1,703,678)
	<hr/>
	1,292,388
	<hr/>
	\$ 1,504,688
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See notes to financial statements

INVESTPRIVATE, INC.

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2002

REVENUES

Commissions	\$ 2,615,009
Private placements	575,823
Interest and other income	<u>376,890</u>
	<u>3,567,722</u>

EXPENSES

Salaries and payroll costs	3,311,572
Commissions and clearing costs	625,028
Communciations	407,706
Professional fees	345,122
Depreciation and amortization	212,170
Other expenses	<u>213,661</u>
	<u>5,115,259</u>

<i>NET LOSS</i>	<u><u>\$ (1,547,537)</u></u>
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See notes to financial statements

INVESTPRIVATE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002

Cash flows from operating activities

Net loss	<u>\$ (1,547,537)</u>
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	212,170
Decrease in due from clearing broker	62,715
Increase in securities owned	(35,757)
Decrease in advances to employees	757,060
Decrease in other assets	29,588
Decrease in accounts payable and accrued expenses	<u>(174,117)</u>
 Total adjustments	 <u>851,659</u>

<i>Net cash used by operating activities</i>	<u>(695,878)</u>
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Cash flows from financing activities

Capital contributions	<u>666,878</u>
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<i>Net cash provided by financing activities</i>	<u>666,878</u>
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NET DECREASE IN CASH	(29,000)
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CASH - BEGINNING	<u>232,345</u>
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CASH - END	<u><u>\$ 203,345</u></u>
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Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	<u>\$ 10,787</u>
Income taxes	<u><u>\$ -</u></u>

See notes to financial statements

INVESTPRIVATE, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2002

	<i>COMMON STOCK</i>	<i>ADDITIONAL PAID-IN CAPITAL</i>	<i>RETAINED EARNINGS (DEFICIT)</i>	<i>TOTAL</i>
<i>Balance - beginning</i>	\$ 1	\$ 2,329,187	\$ (156,141)	\$ 2,173,047
Capital contributions	-	666,878	-	666,878
Net loss	-	-	(1,547,537)	\$ (1,547,537)
<i>Balance - end</i>	<u>\$ 1</u>	<u>\$ 2,996,065</u>	<u>\$ (1,703,678)</u>	<u>\$ 1,292,388</u>

See notes to financial statements

INVESTPRIVATE, INC.

NOTES TO FINANCIAL STATEMENTS *DECEMBER 31, 2002*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Investprivate, Inc. (the "Company") is a registered broker-dealer and clears its securities transactions on a fully disclosed basis with another broker-dealer. The Company provides investment banking, asset management, brokerage securities trading, advisory and other financial services to customers. There were no liabilities subordinated to the claims of creditors during the period ended December 31, 2002.

The Company is a wholly owned subsidiary of Diversified Biotech Holdings Corp.

Securities Transactions and Commissions

Securities transactions are recorded on a settlement date basis. Commissions and related clearing charges are recorded on a settlement date basis as securities transactions occur. There are no material differences between trade date and settlement date basis.

Securities Owned

Securities owned are recorded at current market value.

Advances to Employees

Advances to employees represent advances to employees at employment commencement and short-term loans. The advances are expensed over the term of the contract, net of an discount for impairment.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is recorded on accelerated and straight-line methods over the estimated useful life of the related assets, five to seven years.

Intangible Assets

Intangible assets are recorded at cost. Amortization is recorded on the straight-line method over the its estimated useful life of the related assets, three to ten years.

INVESTPRIVATE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002

Significant Credit Risk and Estimates

The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or a counter-party fail to perform, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction. The Company as a non-clearing broker does not handle any customer funds or securities. The responsibility for processing customer activity rests with the Company's clearing firm, Fiserv Securities, Inc.

The Company is located in New York City, New York and its customers are primarily located throughout the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

Equipment	\$ 201,263
Furniture and fixtures	<u>121,300</u>
	322,563
Accumulated depreciation	<u>86,632</u>
	<u>\$ 235,931</u>

Depreciation expense was \$ 57,581 for the year ended December 31, 2002.

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

Website development costs	\$ 423,671
Organization costs	23,115
Leasehold improvements	<u>61,204</u>
	507,990
Accumulated amortization	<u>235,545</u>
	<u>\$ 272,445</u>

Amortization expense was \$154,589 for the year ended December 31, 2002.

INVESTPRIVATE, INC.

NOTES TO FINANCIAL STATEMENTS ***DECEMBER 31, 2002***

4. RELATED PARTY TRANSACTIONS

The Company occupies offices provided by its parent Company at no cost.

5. COMMITMENTS

Litigation

The Company has been named as a defendant or respondent in four actions relating to its activities as a broker-dealer including civil actions and arbitration. From time to time, the Company is also involved in proceedings and investigations by self-regulatory organizations. Although the ultimate outcome of these matters involving the Company cannot be predicted with certainty, management believes it has meritorious defenses to all such actions and intends to defend each of these actions vigorously. Although there can be no assurances that such matters will not have a material adverse effect on the results of operations or financial condition of the Company in any future period, depending in part on the results for such period, in the opinion of management of the Company the ultimate resolution of such actions against the Company will have no material adverse effect on the Company's financial condition.

6. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 for a first year broker dealer (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2002, the Company had net capital of \$211,584, which was \$111,584 above its required net capital of \$100,00. The Company had a percentage of aggregate indebtedness to net capital of approximately 100% as of December 31, 2002.

***SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT OF 1934***

AS OF DECEMBER 31, 2002

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2002**

NET CAPITAL

Stockholder's equity	\$ 1,292,388
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Deductions

Non-allowable assets	<u>1,080,804</u>
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NET CAPITAL	<u><u>\$ 211,584</u></u>
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AGGREGATE INDEBTEDNESS	<u><u>\$ 212,300</u></u>
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MINIMUM NET CAPITAL REQUIRED	<u><u>\$ 100,000</u></u>
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EXCESS OF NET CAPITAL OVER MINIMUM REQUIREMENTS	<u><u>\$ 111,584</u></u>
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PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u><u>100%</u></u>
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Reconciliation with Company's computation (included Part IIA of Form X-17a-5) as of December 31, 2002

Net capital, as recorded in Company's Part II (unaudited) FOCUS report	\$ 224,773
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Net audit adjustments	<u>(13,189)</u>
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Net Capital, per above	<u><u>\$ 211,584</u></u>
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See independent auditors' report

***COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3
DECEMBER 31, 2002***

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k) (2) (ii) of the Rule.

Lilling & Company LLP

Certified Public Accountants

***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED
BY SEC RULE 17a-5 FOR A BROKER- DEALER CLAIMING
AN EXEMPTION FROM SEC RULE 15c3-3***

To the Board of Directors
Investprivate, Inc.
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of Investprivate, Inc. (the Company), for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

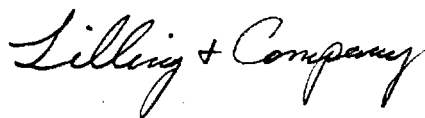
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

February 4, 2003